



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

Jeffrey M. Frederick
Chief Executive Officer
Gen-X Strategies, Inc.
P.O. Box 58
Woodbridge, VA 22194

JUN 22 2010

RE: MUR 6300

Dear Mr. Frederick:

On August 7, 2009, the Federal Election Commission ("Commission") notified you and Gen-X Strategies, Inc., that it had ascertained information in the normal course of carrying out its supervisory responsibilities that you and Gen-X Strategies, Inc. may have violated certain provisions of the Federal Election Campaign Act of 1971, as amended ("the Act"). See 2 U.S.C. § 437g(a)(2). On May 25, 2010, the Commission found that there is reason to believe that Gen-X Strategies, Inc. violated 2 U.S.C. §§ 441b(a) and 441c and that you violated 2 U.S.C. § 441b(a) as a corporate officer. The Factual and Legal Analysis, which more fully explains the Commission's findings, is attached for your information.

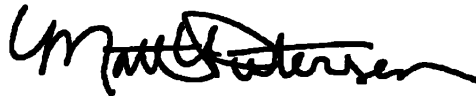
We have also enclosed a brief description of the Commission's procedures for handling possible violations of the Act. In addition, please note that you have a legal obligation to preserve all documents, records and materials relating to this matter until such time as you are notified that the Commission has closed its file in this matter. See 18 U.S.C. § 1519. In the meantime, this matter will remain confidential in accordance with 2 U.S.C. §§ 437g(a)(4)(B) and 437g(a)(12)(A), unless you notify the Commission in writing that you wish the investigation to be made public.

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If you intend to be represented by counsel in this matter, please advise the Commission by completing the enclosed Designation of Counsel form stating the name, address, and telephone number of such counsel, and authorizing such counsel to receive any notifications and other communications from the Commission.

On behalf of the Commission,



Matthew S. Petersen
Chairman

Enclosures:
Factual and Legal Analysis
Procedures
Designation of Counsel Form
Conciliation Agreement

FEDERAL ELECTION COMMISSION

FACTUAL AND LEGAL ANALYSIS

RESPONDENTS: Gen-X Strategies, Inc.
aka GXS Strategies, and
Jeffrey M. Frederick

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I. INTRODUCTION

This matter was initiated pursuant to information ascertained by the Federal Election Commission ("the Commission") in the normal course of carrying out its supervisory responsibilities. See 2 U.S.C. §§ 437g(a)(1) and (2). The respondents were notified that that the Commission had obtained information that Gen-X Strategies, Inc. may have violated the Act by making a prohibited corporate contribution and a prohibited contribution from a government contractor. See 2 U.S.C. §§ 441b and 441c. The respondents were provided with an opportunity to respond to this information.

II. FACTUAL BACKGROUND

Gen-X Strategies, Inc. ("Gen-X"), which also does business as GXS Strategies, is registered as a corporation with the Virginia State Corporation Commission. Gen-X provides online, technology and communication services to political committees and organizations, corporations and federal agencies. Jeffrey M. Frederick, who served as RPV's chairman during the relevant time period, is also the CEO of Gen-X.

Gen-X provided online contribution processing services to the Republican Party of Virginia, Inc. ("RPV") from June through September 2008. In September 2008, Mr. Frederick, as the chairman of RPV, evidently instructed the party committee's staff to report a \$17,717 in-kind contribution from Gen-X on its state election reports. This

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in-kind contribution was described in RPV's state disclosure report as "website email and online contribute setup – actual cost." October 15, 2008 Report, Schedule B. Although RPV states that it was unable to verify the exact services and value of this in-kind contribution, the available documents indicate that Gen-X provided services that included "activist web set up," "charged contribution set up," and a website e-mail service relating to the issuance of broadcast e-mail messages. Some of these broadcast e-mail messages mentioned federal candidates and elections. On April 4, 2009, the State Central Committee of RPV removed Mr. Frederick as chairman, and RPV transferred \$17,717 from its federal account to its non-federal account to reimburse the contribution. RPV reported Gen-X's in-kind contribution later in an attachment to RPV's 2009 May Monthly Report filed with the Commission.

RPV stated that after Mr. Frederick's election as RPV's chairman on May 31, 2008, Mr. Frederick made the "unilateral decision" to stop RPV's use of PayPal as the party committee's "gateway" for processing online contributions. According to RPV, Mr. Frederick transferred the party committee's online contribution processing services to his "own company Gen-X Strategies, Inc." Also, according to RPV, in July 2008, RPV's Executive Committee questioned Mr. Frederick about Gen-X's role with RPV, at which time Mr. Frederick apparently "denied that Gen-X Strategies was even providing services to the RPV."

In response to the afore-mentioned notification, Mr. Frederick stated that Gen-X provided \$17,717 in services to RPV related to an interim online platform for RPV's "website and other online technologies." Although Mr. Frederick has not described these services in any detail or indicated whether the expenses related in any way to the

processing of the online contributions, he did reference the "hours that my [GXS] staff and I spent implementing" the RPV project. While Mr. Frederick asserts that Gen-X's in-kind contribution was not intended as a federal contribution, he appears to acknowledge there was a federal component to Gen-X's work. Mr. Frederick states that he understood that the in-kind contribution would be reported "as a state contribution" and that the party committee's federal account would need to reimburse the state account with federal dollars "for the required split amount of the contribution/expense that could be construed as applying to the Party's activities in federal campaigns."

III. LEGAL ANALYSIS

The Act prohibits corporations from making contributions or expenditures from their general treasury funds. 2 U.S.C. § 441b(a). Corporate officers are prohibited from consenting to contributions made by the corporation. *Id.* The Act also prohibits contributions by government contractors. 2 U.S.C. § 441c; 11 C.F.R. § 115.2.

As mentioned above, Gen-X is an active corporation in Virginia. 2 U.S.C. § 441b. The available information also indicates that Gen-X was a federal contractor during the relevant time period. 11 C.F.R. § 115.1; www.fgds.gov/knownow.html; see also www.gxs.net/client.asp. As noted *supra* at 2, RPV disclosed the transfer of \$17,717 from its federal account to its nonfederal account representing an in-kind contribution (website e-mail and online contributions setup) from Gen-X in an attachment to its 2009 May Monthly report. Gen-X provided services to RPV's federal account for services related to its processing of online contributions and the aforementioned broadcast e-mail message service. Further, in this instance, Gen-X and

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its CEO actually knew the services were related to federal activity and thus knew that Gen-X was potentially making a prohibited contribution to the federal account.

Accordingly, the Commission finds reason to believe that Gen-X Strategies, Inc., a Virginia corporation and government contractor, made a prohibited in-kind contribution to RPV in violation of 2 U.S.C. §§ 441b(a) and 441c. The Commission also finds reason to believe that Jeffrey M. Frederick violated 2 U.S.C. § 441b(a) by consenting to Gen-X's prohibited in-kind contribution to RPV.

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